[Summary]

Money market in India

Subject:	Business Economics
Course:	B. A., 4th Semester, Undergraduate
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Unit No. & Title:	Unit – 4 Money Market & Debt Market in India
Lecture No. & Title:	Lecture – 1 Money market in India

Summary

Let us summarizes today what we have learnt about money market. There are two kinds of markets where borrowing and lending of money takes place between fund scarce and fund surplus individuals and groups

The markets catering the need of short term funds are called Money Markets while the markets that cater to the need of long term funds are called Capital Markets.

Thus, money market is that segment of financial markets where borrowing and lending of the short-term funds takes place. The maturity of the money market instruments is one day to one year. In our country, Money Market are regulated by both RBI and SEBI.

It’s the place where large financial institutions, dealers and government participate and meet out their short-term cash needs. They usually borrow and lend money with the help of instruments or securities to generate liquidity. Due to highly liquid nature of securities and their short-term maturities, money market is treated as safe place.

The Reserve Bank of India (RBI) plays a key role of regulator and controller of money market. The intervention of RBI is varied – curbing crisis situations by reducing key policy rates or curbing inflationary situations by rising key policy rates such as Repo, Reverse Repo, CRR etc.

The most common money market instruments are Treasury Bills, Certificate of Deposits, Commercial Papers, Repurchase Agreements and Bankers Acceptance.